

Community Update



DOWNTOWN REDEVELOPMENT FREQUENTLY ASKED QUESTIONS

Issue #4

January 12, 2007

This is the fourth in a series of public reports from the City of Sunnyvale on important issues in our community.

Even as we write these Community Updates, projects can change. For the latest information, always check the City's Web site at downtown.inSunnyvale.com

1. I have heard there is a new developer for the Sunnyvale Town Center redevelopment project. Is that true?

Not yet. Fourth Quarter Properties has received preliminary approval from the City to sell the project to a new developer. The proposed new development team is a partnership between RREEF, a major worldwide financial organization, and Sand Hill Properties, a local developer with completed projects in the region.

2. Why did the City have to approve the sale? Isn't this just a private-party sale of real estate?

It's not quite that simple. Yes, it would be a private real estate transaction between two businesses. But under the development contract – known as the Disposition and Development and Owner Participation Agreement (DDOPA) – the City of Sunnyvale has the right to reject any proposed transfer.

3. How did the City decide to give the preliminary approval?

The City's goal is to turn the redevelopment area into an important commercial and residential hub in our City. That means the project must be built to the highest standards of excellence. Staff conducted a month-long due diligence process to gain a factual profile of the companies' expertise, capabilities and ability to complete a project to the City's standards. Staff investigated the past record of the proposed development team, including whether past projects were completed on time. The financial resources of the company as well as the experiences others – including government agencies – have had in dealing with the proposed developer were reviewed. It was also very important to ascertain that the proposed development team has a real commitment to Sunnyvale and to completing the project on schedule.

4. What were the results of the due diligence?

Staff recommended preliminary approval for the transfer be granted; the Redevelopment Agency (RDA) agreed and approved the request.

5. You said the City had given "preliminary approval." Is there another approval step that has to be completed?

Yes. The RDA is scheduled to review the DDOPA contract and the development permit with the new development team February 6. If approved, that would permit Fourth Quarter Properties to proceed with the sale of the property to the new development team.

6. What are the City's goals for the redevelopment project?

The City's goal is to complete the redevelopment project as quickly as possible, keeping in mind that we want this to be a first-class project, worthy of being a focal point in our City. As for the immediate next step, the City's goal is to ensure the developer is committed to the City and to the redevelopment project, and is capable of building a quality project in a timely fashion.

7. I thought the City was buying the downtown mall property. What happened?

When Fourth Quarter Properties failed to cure their breach of the development contract, there were three possible paths to follow. One was to cure the breach in a manner acceptable to City Council and continue construction with the same developer; another was for the City to acquire the land at fair market value and proceed with development; and the third was for Fourth Quarter to transfer – or sell – the property to another developer. Such a transfer may only be made with the consent of the City, thus ensuring a new developer is acceptable to the City. A transfer may be the fastest method to get the project built substantially to the current plan.

8. Will the new developer get the same tax breaks as Forum did?

Yes. Since the DDOPA is transferred with the property to the new owner, the business deal would remain the same, including the same advantages and the same obligation to complete the project. One of the most common tools used by redevelopment agencies is to provide property tax subsidies to developers for a specific period of time to accept and complete a redevelopment project. It is important to note that the property tax advantage given to the developer is based on the increased value of the property due to completion of the project. Since the benefit is based on the new increased value of the property, this is really new money that is returned to the developer, and not a loss to the City or the Redevelopment Agency.

9. With a new developer, will they use the same plans? What will be different from what we have heard about?

Whoever builds the redevelopment project will need to follow the Downtown Specific Plan. The current design for the redevelopment project follows the Plan requirements, as would any new design. Part of the negotiation with a new developer include some aspects to improve the design, but the core elements of the project are expected to remain the same.

10. Will there be any chance for community members to get more information?

Absolutely. Two community outreach meetings have been scheduled. The meetings will provide the community with information about the redevelopment project, an opportunity to meet the proposed new developer and to ask questions. The first meeting will be Saturday, January 20, 9 a.m., at the Senior Center. The second meeting will be at the Community Center, Wednesday, January 24, at 7 p.m. Both meetings will cover the same information, so come to whichever is more convenient. The Senior Center and the Community Center are both located at 550 E. Remington Drive.

11. If RREEF and Sand Hill buy the property and then fail to develop it, what will happen? Will the City be protected?

Regardless of who is selected as the developer for the project, we expect the new development contract will include provisions for penalties to the developer for missing any critical milestones during the planning or construction phases of the project. The assurances come from having performed a thorough due diligence inspection, then backing the selection up with a firm development contract. The City will also retain the ability to purchase the property if the developer

12. Will Macy's and Target have to approve the transfer?

No, neither Macy's nor Target are required to approve a transfer of ownership. But as property owners in the project area, Macy's and Target each have a voice on how the property is redeveloped and what can be built on the site and they agree to mutual easements.

13. When will construction start?

A transfer of the property provides the quickest path to completion, with the likelihood that demolition can begin shortly after the sale. Construction could begin about nine months after the transfer takes place, with the redevelopment project being completed about 18 – 24 months later.

14. When will the new downtown open?

The City will seek an aggressive construction schedule with the developer, with the goal of completing a first-class project as quickly as possible. The opening date will, of course, depend on when the new developer actually acquires the property. Construction could begin within about nine months after a transfer, and most estimates are that from the start of construction, the redevelopment project could be completed and open within 18 – 24 months.

15. Sand Hill is a familiar name. Have they done anything in Sunnyvale before?

Sand Hill developed the El Camino Real site that includes Pet Smart and Best Buy. They built the project City Council approved. Following construction, there were concerns raised by some of the project neighbors, including issues with noise levels and the height of parking lot lights, among other items. The developer is continuing to work with the residential neighbors to resolve outstanding issues and has reached compromises that left most people satisfied. A Sand Hill representative recently addressed Council (October 10), accompanied by several neighbors, to explain how their outreach with residents has resolved issues related to another adjacent retail project on El Camino Real. That project, which was approved by the Planning Commission last December 11, is proposed to include a Walgreens.

16. Didn't Sand Hill buy Town and Country? Is it smart to have a single developer responsible for all of the downtown area?

Independent of their negotiations with RREEF and Fourth Quarter Properties, Sand Hill has purchased Town and Country and has purchased some of the streets that bisect that project area. In keeping with the Downtown Specific Plan, Sand Hill has stated they plan to rebuild where Town and Country is now located. It is not unusual – and certainly not an issue – to have a single developer building two projects within the same area of the City.



City of Sunnyvale

Updated redevelopment project information is available on the City's Web site at
downtown.inSunnyvale.com